

CLASSIFICATION

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CENTRAL INTELLIGENCE AGENCY

REPORT

## INFORMATION REPORT

CD NO.

COUNTRY East Germany

DATE DISTR. 19 May 1955

SUBJECT Changes, Dismissals of Employees, and  
Production Status of Plants under the  
Ministry for Machine Construction

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1. A meeting of ~~the~~ directors of the Ministry for Machine Construction was held in ~~the~~ on 14 and 15 January 1955 in which one thousand ~~the~~ directors participated; Minister Heinrich Rau delivered the ~~the~~ address. He stated, that the over staffed conditions of the plants of the Ministry for Machine Construction would necessitate a shift of employees. He emphasized that the plants were not allowed to discuss dismissals, but that they were compelled to procure for employees overstaffed or overstaffed offices equal jobs at other offices. Directors who do not comply with these basic regulations would be subjected to disciplinary punishment. To ~~the~~ point, Rau gave as an example the punishment of Fritz August, Director of VEB Funkwerk Dresden, who was removed from his post ~~because~~ because he had dismissed two hundred of his employees on 1 January 1955. 25X1
2. Rau then entered into particulars about wage policy, which he called unbearable for the future. He said that wages have risen considerably higher, than the production output, a condition which no economy can afford. It was also apparent, he continued, that wages have been incorrectly handled on a large scale. It is therefore forbidden, under ~~current~~ ~~of~~ ~~quality~~ for workmen to fill out their own wage or working hour slips, as they have been accustomed to do.
3. The ~~contingent~~ extra pay for working on poor materials may be paid no longer. Exceptions may be made when the materials produced, ~~which~~ ~~are~~ ~~of~~ ~~poor~~ ~~quality~~ ~~and~~ ~~no~~ ~~better~~ ~~material~~ ~~could~~ ~~be~~ ~~produced~~ ~~and~~ ~~when~~ ~~the~~ ~~production~~ ~~management~~ ~~declares~~ ~~in~~ ~~writing~~ ~~that~~ ~~production~~ ~~would~~ ~~cease~~ ~~in~~ ~~the~~ ~~plants~~ ~~if~~ ~~the~~ ~~materials~~ ~~at~~ ~~hand~~ ~~were~~ ~~not~~ ~~used~~. ~~When~~ ~~the~~ ~~materials~~ ~~would~~ ~~have~~ ~~to~~ ~~be~~ ~~accounted~~ ~~for~~ ~~in~~ ~~a~~ ~~written~~ ~~statement~~ ~~to~~ ~~the~~ ~~Ministry~~. The whole industry, Rau continued, has a large materials surplus ~~which~~ ~~amounts~~ ~~to~~ ~~67~~ ~~million~~ ~~DME~~ ~~in~~ ~~the~~ ~~VEB~~ ~~MFT~~ ~~(Main~~ ~~Administration~~ ~~for~~ ~~Machine~~ ~~and~~ ~~Electrotechnik)~~ alone. Rau said that the materials may be used ~~only~~ ~~if~~ ~~it~~ ~~has~~ ~~reached~~ ~~the~~ ~~plant~~, but has not been used within the planned production period. There would be, therefore, no question of having placed the materials merely in stock, but of having hoarded it. He announced further that there will be a standardization control for material consumption, the task of which will be a tight supervision of all standards of material consumption. ~~The~~ ~~Ministry~~ ~~has~~ ~~announced~~ ~~the~~ ~~to~~ ~~the~~ ~~Ministry~~, ~~which~~ ~~amounts~~ ~~to~~ ~~the~~ ~~of~~ ~~the~~ ~~materials~~ ~~situation~~

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very lightly. He instructed that greatest economy be made in overhead.

4. Rau criticized HV RFT very sharply. He mentioned particularly the production displacements ordered by Scheffler (fnu), the production manager of HV RFT, which had cost the economy a very large sum. Production displacements may now be carried out only with the explicit permission of the Minister. Rau stated that the Ministry for Machine Construction had practically no investment funds at its disposal. The existing small investment funds would be utilized by agriculture and heavy industry. The plants were advised to procure the necessary funds on credit.
5. Rau is of the opinion that the **general contract system** is not yet handled correctly. Penalty ~~should be imposed~~ upon all who exceed the deadline of their contract. The cancellation of ~~contract penalties~~ as well as their postponement is illegal.
6. Rau was specially concerned with the production of ~~commodities~~ commodities and he mentioned, for example, the ~~first East German~~ motor scooter, PITTY. He said that the development ~~of this scooter~~ scooter has now lasted over three years and still ~~has not been~~ completed. At first, the vehicle received a motor ~~too weak to~~ move it. After two more years of work, it received ~~a more powerful~~ enough for a racing car, but completely useless for ~~a slower scooter~~. Care must be taken that such things are not repeated ~~in other~~ jobs at other plants.
7. Rau found fault with the East German industry which ~~had not made~~ enough good use of Russian progressive methods. For this reason, the Ministry for Machine Construction obligated all plants under its command to use these progressive methods immediately. Rau named the improvement in technological research of the plants and the training of skilled workers as being of the greatest importance. He also announced the introduction of so-called comparisons of plants. In order to find the most economic method, costs of the same or similar plants would be compared.
8. In conclusion, Rau declared that the export plan had been poorly fulfilled by some industries, especially by the shipyards.

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